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for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

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# SECTION 2 (EASTERN)

1. EGYPT. Wafd Party may hamper Anglo-Egyptian negotiations: The Secretary General of the Wafd Party has informed Egyptian Prime Minister Ali Maher that the Wafdists "must be more intransigent" on the question of negotiations with Britain than they were when they were in power. He indicated his doubt, therefore, that Wafd participation in the National Front Committee would be of any aid to the present cabinet.

The American Ambassador in Cairo states that despite this warning, the Prime Minister still wishes to form the National Front Committee, which is to backstop the government in any discussions with Britain. The Ambassador fears that the selection of former Foreign Minister Salaheddin as a Wafd representative on the committee "bodes no good."

Comment: Implementation of the Wafd Party threat to become a strong opposition would endanger the existence of the present government as well as the success of any Anglo-Egyptian discussions.

2. Western Ambassadors in Cairo believe concession on Sudan essential:
The American, British, and French Ambassadors in Cairo believe that there is
little hope for initiation of defense talks unless Britain is prepared to
discuss acceptance of Farouk as King of the Sudan.

The British Ambassador has informed the Foreign Office that the West faces acceptance of King Farouk's title, despite possible repercussions in the Sudan itself. If this is not done, another breakdown of internal security in Egypt will result, with the possibility that Britain may be forced to use more troops than it can spare, even in the limited objective of sealing off the Canal zone.

Comment: Reports from London indicate that the Foreign Office is not yet convinced that a recognition of Farouk's newly acquired title is an essential for beginning the talks.

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# SECTION 3 (WESTERN)

FRANCE. French air build-up endangered by pilot shortage: The French Air Force expansion program may collapse because of the shortage of trained pilots unless American physical standards are soon lowered to enable academically qualified students to receive training in the US. Of the 172 cadets scheduled to come to the US at the end of February, only 50 are expected to meet requirements.

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Comment: The French Air Force has less than 3,000 pilots, and French pilot schools, which have been handicapped by a shortage of qualified training personnel, have been planning on graduating only 320 pilots a year.

According to official NATO estimates, pilot training is not expected to affect the over-all NATO air build-up for 1952, but a deficiency in training this year can have very serious effects on the continuing build-up in 1953 and 1954.

LUXEMBOURG. Government partially rejects TCC's recommendations: Following Belgium's lead, Luxembourg has protested that the procedures of the TCC did not allow sufficient time to enable thorough study of Luxembourg's "special situation." Rejecting the TCC finding that its 1952 defense program is comparatively small, Luxembourg considers the maintenance of a high output of its basic industry (steel) as its greatest contribution to the defense effort. However, Luxembourg would not refuse a reconsideration of the level of its military expenditures. The country cannot agree to the suggested free supply of metallurgical equipment, since this would disrupt its economy.

Comment: Luxembourg has rejected the most important recommendations for an increase in its defense effort. However, the reasonable tone of the Luxembourg reply is in sharp contrast to that of Belgium. The results of the current Belgian-American negotiations for a more conciliatory Belgian attitude toward an increased defense program will influence Luxembourg's position.

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5. ITALY. American defense orders fall far short of Italy's expectations: The Italian Government is becoming highly skeptical of US promises to place contracts for war materiel in Italy. The slowness of negotiations, the US plan to let only 500 million dollars worth of such contracts in all of Europe, and the report that no vehicles, which represent 40 percent of Italy's potential contribution, will be ordered, lead Italy to feel that any orders it receives will not help much in reducing its dollar deficit.

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Comment: Neutralists and opposition elements will be quick to seize upon this development to attack the foreign policy of the De Gasperi government in the impending municipal campaigns. The Italian Government had hoped that 500 million dollars worth of contracts would be let in Italy alone, and had counted on these contracts to support depressed sectors of industry, reduce unemployment, lower the dollar deficit, and aid the current defense program.

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Office of Current Intelligence

# CENTRAL INTELLIGENCE AGENCY

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# SECTION 1 (SOVIET)

1. <u>USSR</u>. <u>Austrian official believes Soviets adopting a tougher line</u>: Austrian Minister of Interior Helmer believes that minor interferences with the functioning of municipal and provincial governments in the Soviet zone are increasing, and that local Soviet officials appear to be taking a tougher line with Austrian authorities. Pressure on businessmen in the Soviet zone to advocate greater trade with the East, increasing "suggestions" regarding introduction of Russian language courses in schools, and sweeping demands on local authorities for comprehensive data on political and economic subjects were cited as examples.

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Comment: Soviet harassing tactics have been going on for some time, and Helmer's report does not clearly show any appreciable increase.

2. <u>Kharpov pumping station reported in operation</u>: The Kharpov pumping station, described as one of the principal structures on the Volga-Don Canal, went into operation on 2 February, according to Moscow radio broadcasts. The operation of the entire waterway and the irrigation of the "vast" areas between the Don and the Volga will "depend" on the work of this pumping station.

The broadcast claims that 14 billion cubic feet of water will have to be pumped from the Don River into the reservoir. The pumping station is said to be equipped with the latest power installations and "complicated" automatic machines built from designs of the engineer Evansov. It is reported that the station will both pump water and send surplus water back into the Don during the period of the spring floods.

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<u>Comment</u>: If the Kharpov pumping station did actually start functioning on 2 February, the official opening schedule will have been met. It was previously announced that the water works in the Don Rayon were officially supposed to begin the flooding of this reservoir sometime in February. A description of the method to be used for letting the Don water through the "first two completed sections" of the dam appeared in Komsomolskaya Pravda as long ago as September 1951.

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. CZECHOSLOVAKIA. Government reportedly has liquidated foreign trade monopoly which arranges barter deals with West:

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Merkuria, the Czechoslovak company responsible for compensation and barter deals with the West, was to be liquidated by the end of 1951.

current business was to be transferred to Czech firms initiating foreign contracts.

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	4.	Comment: Merkuria is an administrative organization ("Privileged Company") which arranges and coordinates barter agreements between Czech foreign trade monopolies and import-export firms of Western nations. This report is plausible in view of the increasing re-orientation of Czech foreign trade within the Orbit, which is constantly decreasing the volume of foreign trade with the West. As a consequence of this, Merkuria may be loaing its functions, and what overall coordination still remains can perhaps be handled by a smaller administrative body.  HUNGARY. London refugee meeting protested: The Hungarian Government has strongly protested the recent conference of European refugee organizations held in London. The Hungarians were particularly concerned by	•
25X1	. [	the fact that a member of the British Government spoke at the conference, which was characterized as "a meeting of criminals and saboteurs planning to overthrow the Hungarian Government by force."	25X
•	L	Comment: Among the recent charges of hostile acts committed by the United States against Hungary were several references to alleged US support of refugee groups. Other Satellites and Yugoslavia have also protested the January conference of Eastern Europe refugees in London.	
25X1	6.	TRIESTE/UK. British cite Italian attitude as determining factor in the timing of Zone A elections: The British Foreign Office has informed the US Political Advisor in Trieste that if the Italian Control of	
•		US Political Adviser in Trieste that if the Italian Government favors an election in Trieste in April, the principal British objection to holding an election this spring would be removed.	25X
		<u>Comment:</u> Anticipating a negative Italian press reaction, the British had previously expressed doubts concerning the advisability of announcing Zone A elections. Nonetheless, the Foreign Office has agreed that elections should be held in 1952, as promised by Allied Military Government, unless significant progress is made in Italo-Yugoslav negotiations.	

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Allied observers have emphasized the importance of gaining Italian cooperation in coordinating Zone A elections with the final round of the Italian communal elections, reportedly planned for the last week in April, in order to diminish the impact of the propaganda which would accompany Trieste elections and adversely affect Italo-Yugoslav relations.

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8. Yugoslav official comments on Government's motives behind appointments of new military attaches in Washington and London: In the New York Times of 31 January, Meyers Handler reported that the appointment of high ranking Yugoslav officers to "the leading Western capitals" was "a preliminary move toward establishing closer liaison with the US and British commands." American Embassy officials state that Handler received his information from Vladimir Velebit, the new Yugoslav Ambassador to Rome. Velebit told Handler that the new Yugoslav Military Attache to Washington, General Lekic, was carefully selected for this post, and that he is one of the best informed officers on Yugoslav defensive capabilities. Lekic's primary mission will be to convince the US General Staff that the Yugoslav Army can successfully defend the plains areas and to obtain material assistance to support this plan. Ambassador Velebit stated that should any territory be abandoned by the regime, it would lose the support of a large segment of the population.

American military officers in Yugoslavia believe that the Yugoslavs may feel that the Western powers envisage a rapid withdrawal to the mountains in the event of an attack. These officers, however, believe that the Yugoslavs would attempt to defend the plains, and that this effort would be doomed unless their capabilities against armor are increased.

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<u>Comment</u>: The replacement of attaches in Washington and London with more important military leaders indicates a major Yugoslav effort to expedite arms shipments and to obtain modern equipment as a means of improving the power basis of the Tito regime and of proving the Yugoslav thesis that their army is capable of defending the borders.

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	SECTION 2 (EASTERN)	. 25

3. CEYION. Bank of Ceylon finances rubber shipment to China: The Bank of Ceylon has opened a credit to cover the shipment to China of 1,200 tons of rubber on the Russian ship Nicolaev, now in Colombo harbor. Additional credits are expected momentarily, and Colombo circles believe the ship may load up to 2,000 tons.

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Comment: With other producing areas banning the export of rubber to China, Ceylon is now the only legitimate source available to the Chinese Communists. They have had difficulty in finding shipping space for transporting rubber from Ceylon; the only recent shipments have been one of 5,500 tons last October and one of 450 tons in January.

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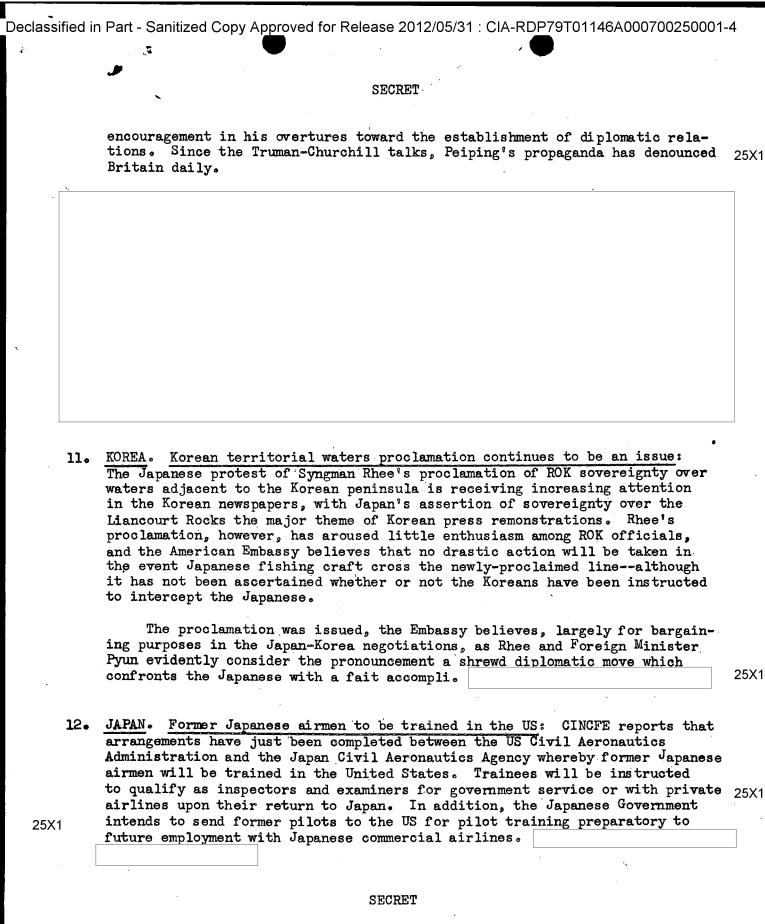
4. INDOMESIA. Government reiterates promise to combat Darul Islam: Widespread criticism of the government's security policy evoked a 30 January reiteration of the government's statement of 28 May 1951 condemning the Darul Islam and other armed groups as "illegal." The government renewed its promise to take all possible measures and to use all available facilities to combat insecurity.  Comment: Recent criticism of lawless conditions has particularly emphasized the government's ineffectiveness against the Darul Islam (DI)—a fanatical and militant Moslem organization which seeks to establish a theocratic state in West Java. In recent months the DI has extended its activity into central Java. Critics charge that conservative elements in the Masjumi (Moslem Party)—one of the strongest components in the present government—are sympathetic with the goal of the DI and therefore have consistently blocked drastic action against that organization.  In point of fact, the government has undertaken several campaigns against the Darul Islam. However, none of these actions has been successful, and the military has complained frequently that political interference has hampered its operations.  5. BURMA. Burmese UN delegate discusses Nationalist problem: Myint Thein, chief of the Burmese delegation to the UN General Assembly, indignantly repudiated the statement made by one of his colleagues that Burma might invite Communist China to help eliminate Nationalist troops now on Burmese soil. He consistently depreciated the entire Nationalist issue, insisting that any action initiated by Burma—which he wished to avoid—would be taken within the framework of the UN. Myint Thein warned, however, that any British-American suggestion of the establishment of a peace observation commission for the Sino-Burma border area would be resented by the Burmese Government and play into the hands of pro-Communist elements.  Comment: This relative lack of concern displayed by Myint Thein on the Nationalist problem contrasts sharply with the attitude o		. INDONESIA. Government reiterates promise to combat Darul Islam: Widespread criticism of the government's security policy evoked a 30 January reiteration of the government's statement of 28 May 1951 condemning the Darul Islam
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	<i>▶</i> SECRET	25X′
7• 25X1	INDOCHINA. Viet Minh raids garrison town near Hanoi. The American Consul in Hanoi transmits a "fairly well confirmed" report that elements of the Viet Minh 316th Division raided and occupied the town of Phy Lang Thuong for a brief period on 29 January. There are rumors that the Viet Minh has occupied other strategically important towns in the delta.	25X′
	Comment: Phu Lang Thuong is an important road and river junction within the French perimeter some 30 miles northeast of Hanoi. During the past two months of fighting the Viet Minh has shown a capability to carry out military operations behind French lines to a dangerous degree.	
8.	CHINA. Party functionaries expelled in campaign against corruption: The American Consulate General in Hong Kong believes that the current anticorruption campaign has been expanded to include persons guilty of "ideological errors." The Consulate General cites the recent expulsion of two Party membersboth fairly high officials in the Central-South District-on charges of administrative errors and failure to take sufficiently strong action against hostile elements.	25X <sup>2</sup>
	Comment: The new development is not the issue of ideological errors but rather the expansion of the campaign to strike at Party functionaries who are not themselves accused of corruption but of having permitted corruption to flourish among their subordinates.	
9•	British Mission doubts ability to establish relations with Peiping: The British Mission in Peiping was asked, on the second anniversary (in January) of British recognition of the Peiping regime, for a report on the likelihood of establishment of diplomatic relations with Peiping. The British Mission has now replied that there is nothing to indicate a "change of heart" on the part of the Chinese Communists.	<b>25</b> X1

Comment: A British Charge, whose position has been described as being recognized as Charge for the purpose of discussing whether he is in fact Charge, has been located in Peiping for almost two years. In this period he has had little contact with Chinese Communist officials and has received no

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Comment: The coming into force of the Peace Treaty will release Japan from Far Eastern Commission directives which prohibit it from owning or operating aircraft. Japan, therefore, is reportedly making plans to reestablish its international air routes.

Left-wing Socialists under pressure for union with pro-Communist party: The first national convention of the leftist Socialists on 28-30 January re-elected Mosaburo Suzuki as party chairman but voted to modify proposed party policy, according to CINCFE. Labor federation and youth representatives insisted upon immediate union with the pro-Communist Labor Farmer Party, while Suzuki remained cool to such union. The convention finally adopted a face-saving compromise which will leave the issue smoldering.

CINCFE comments that the leadership of the left-wing Socialists, which broke away from the right wing last October, now finds itself challenged by more extreme leftists whose support Suzuki's group needs for effective survival.

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Comment: The left-wing Socialists are to some extent in competition with the Communists for the support of the same segments of the population, and on many issues the left-wing Socialists' platform, based on neutrality, has had to parallel the party line. The Labor-Farmer Party is a minor group holding only four seats in the lower house of the Diet and five in the upper house.

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# SECTION 3 (WESTERN)

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1.	Gerhard Eisler no longer controls the East German Office of Information. Although he is still permitted to sign letters and hold occasional press conferences as the nominal head of the office, all policy decisions are made by Karl Senkfusch, a Communist who enjoys the full	25X
	confidence of Deputy Premier Ulbricht.  Eisler's files reportedly have been removed to Moscow and the Communists are conducting further investigations of his past in France and Germany. His adversities are reportedly attributable to his long residence in the West, Ulbricht's long distrust of him, and the inability of the East German	25>

Communist hierarchy may have led Ulbricht, after Eisler's arrival in Germany, to fear usurpation of his position as top East German Communist. Moreover, Eisler is probably suspect because of his lengthy Western background. He may be permitted to continue functioning on a limited scale because of his outstanding ability as an anti-Western propagandist.

Communists to win the confidence of the German people.

- Recent German demands induce French re-examination of German policy: 2. Although crystallization of French opinion on German NATO membership is hastened by the violent German reaction on the Saar question, French cooperation in plans for the EDC and German security controls is made more difficult. Top Foreign Office officials had been delaying a parliamentary showdown on German NATO membership while moving steadily toward acceptance of German equality. Now, however, a national re-examination of the German question is indicated by attacks in the entire Paris press on Germany's requests that it be admitted to the Atlantic Pact and that the Saar problem be settled as a condition for Germany's participation in the common defense. Influential rightist papers ask whether Germany's immediate support must be bought at the risk of submitting to "blackmail." The Socialists emphasize that German divisions are still on paper and that Washington, London and Paris must reconsider their German policies. The pro-government press charges that Germany's demands correspond to the long-range objectives of the US.
- 3. AUSTRIA. Labor election trends favor Communists: Consolidated reports on one third of the Austrian labor elections held since 1 October 1951 confirm previous indications that the Communists have improved their over-all position since the balloting in 1949. In terms of percentages of change in party representation in the works councils, the Communists have gained

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2.9 percent, non-party delegates have increased 10.1 percent, while Socialist, People's Party, and Independent strengths have declined, respectively, 3.6, 30.3, and 60.0 percent.

Although their gains are small, the Communists have enhanced their advantage by the concentration of their successes in larger firms and in basic industries. Furthermore, small Communist victories have in some cases been sufficient to usher in Communist council chairmen. Finally, the phenomenal growth in nonpartisan shop-stewards — although not to the direct advantage of the Communists — suggests a deterioration in the nearmonopolistic control of Austrian labor by the Socialists.

Initial trends may, of course, be reversed as the elections proceed. Socialist losses, moreover, have in some cases reflected local rather than general dissatisfactions. While the seriousness of the situation must not, therefore, be exaggerated, Communist successes to date are a clear-cut warning that Austrian labor is receptive to a vigorous pleading -- even by Communists -- of their economic grievances.

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ITALY. Foreign Office prevents USSR regotiations for Italian tankers: The Italian Government has recently prevented the rechartering of two Italian tankers, the Zaniboni and the Nebulosa, which the USSR had been trying to get from the Italian quasi-official petroleum company, Azienda Generale Italiana Petroli (AGIP). The latter has agreed not to undertake additional charters with Soviet-controlled countries.

AGIP still has one vessel, the Rapallo, under one-year charter to the USSR between Gdynia and Odessa, but the Italians point out that this charter was made last September prior to recommendations made by COCOM. Under existing law the government cannot interfere with this charter except under national emergency conditions.

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Comment: The Zaniboni and the Nebulosa had recently been under charter to the USSR. As of 30 September 1951, the Soviet bloc had 15 Italian tankers, totalling 15,801 gross tons, under charter.

5. UNITED KINGDOM. Britain proposes end to tripartite approach on aid to Yugoslavia: The British Ambassador in Belgrade has offered to accept the higher American figure for financial aid to Yugoslavia for the first six months of this year in return for assurances that the tripartite method of approach will be changed after 1 July. Stressing Britain's domestic financial difficulties, the Ambassador argued that his government had wished to keep the current aid level low to avoid setting a precedent for the next fiscal year.

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	Commenting on the sharp change in the British position, US Ambassador	
	Allen notes that previous British objections were based on charges that	_
25X1	the Yugoslavs were misrepresenting their economic situation.	25X

British continue reinforcement of Suez Canal zone: The British are sending the 32nd Guards Brigade from Cyprus to the Suez Canal zone in order to increase their mobile forces. One battalion has arrived and the other two are due to arrive in the near future.

The US Army Attache in London gives as the reason for this move that

during the disturbances last week end it was found that the British did not have enough forces to maintain the Canal zone and also carry out rescue missions for British personnel outside the zone.

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7. DENMARK. Czechoslovak airlines obtain concession: The Danish Foreign
Office in a note dated 29 January has granted permission for planes of the
Czechoslovak airlines to make technical stops at Copenhagen enroute to Paris.

Comment: This is the first formal breach in the US-sponsored attempt to prevent the Czechs from circumventing the tripartite ban on flights over western Germany by establishing a Czech-operated air link with western Europe via Copenhagen, Amsterdam, and Brussels. The Danes had previously stated that they could not postpone granting the Czech request beyond the end of January. Both Belgium and the Netherlands have also indicated their eventual acquiescence. France has not as yet received a Czech request for landing rights in Paris.

8. Denmark may go further toward NATO figure on defense expenditures:
On the basis of conversations with Danish officers, MSA officials in
Copenhagen believe that Denmark's partial rejection of the TCC's recommendation for greatly increased national defense expenditures during the three-year period 1951-1954 represents a bargaining position and that
Denmark may later agree to increase those expenditures beyond the projected 380 million dollars. The US officials state that the Danes are more susceptible to multilateral pressure through NATO than to bilateral approaches.

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Comment: The Danes, sensitive regarding US pressure, are, however, aware that their projected expenditures do not represent a very high percentage of their budget or the gross national product. They expect pressure prior to and at the Lisbon meeting. Foreign Minister Kraft recently informed

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	General Eisenhower that Denmark would be willing to make further contributions to the infrastructure program, presumably in the form of airbases and other facilities.
9•	French note delivered to the Bey of Tunis on 30 January has apparently failed to break the current impasse in French-Tunisian relations. Since France has now broadened the scope of the proposed mixed commission to include administrative and municipal reforms, however, this latest note do go farther than the controversial note of 15 December. Unless the Tunisia selected for the joint commission support the Neo-Destour position, they
	will face popular repudiation.
11.	Peron demands raw materials in payment for exports: In an important speech to Argentine jurists, Peron stated that nations which buy
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11.	important speech to Argentine jurists, Peron stated that nations which buy Argentine foodstuffs will have to pay for them in raw materials which Argentina needs, because those nations have hoarded all the raw materials of the world. He said he recently refused to sell meat to the US Army whe the latter offered only dollars in payment. He added that the nation's
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